

**CALIFORNIA ENERGY COMMISSION**

1516 NINTH STREET  
SACRAMENTO, CA 95814-5512



October 15, 1998

Members of the Senate Energy, Utilities and Communications Committee  
Members of the Senate Budget and Fiscal Review Committee,  
Members of the Senate Appropriations Committee,  
Members of the Assembly Utilities and Commerce Committee,  
Members of the Assembly Budget Committee,  
Members of the Assembly Appropriations Committee,  
California Legislative Analyst Office,  
California State Capitol Building  
Sacramento, California 95814

**Re: California Energy Commission's Quarterly Report Concerning the Renewables Funding Program**

To All Recipients:

In accordance with Public Utilities Code (PUC), Article 5, Section 445(g), the California Energy Commission (Commission) hereby submits its Quarterly Report for the Renewables Funding Program for the period July 1 to September 30, 1998. The attached report provides the required "...information describing the awards submitted to the Treasurer [sic] pursuant to this article, the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and other matters the Commission determines may be of importance to the Legislature." It also provides preliminary input for the Commission's more detailed Renewables Funding Annual Report [required pursuant to PUC, Section 445(f)] and Biennial Renewable Program Report [required by PUC, Section 383.5(g)] which, in turn, will provide account-specific information and recommendations for program improvement. The 1998 Annual Renewables Funding Report will be submitted during the first quarter of 1999.

As reflected in the attached Quarterly Report, the Commission continues to make significant progress in implementing the Renewables Funding Program. Winners in the June auction for conditional funding awards from the New Resources Account, totaling \$162 million, have begun to send in their Project Award Packages for the Commission's approval. The packages provide detailed project descriptions, including predicted construction schedules and information on required permits. The Renewables Committee approved the first two Project Award Packages at a public hearing on October 2. They were then approved by the full Commission at its October 14 Business Meeting, completing the first of six milestones for these projects. More Project Award Packages are expected to be approved in the fourth quarter, and construction on many of the projects has already begun. This is clearly an exciting step in the continuing development of the renewable energy industry in California.

Some elements of the program have been delayed in starting due to the three month delay in the start-up of the new electricity market and uncertainty confronting marketers and consumers. The balance of funds available at the end of the first quarter reflects this delay as well as other circumstances unique to the startup of the program and an evolving market.

Should you have any questions or comments concerning this report, please feel free to contact Traci Stevens, Commission Director of Governmental Affairs, at 654-4942.

Respectfully submitted,

MICHAL C. MOORE  
Commissioner and Presiding Member  
Renewables Program Committee

JANANNE SHARPLESS  
Commissioner and Associate Member  
Renewables Program Committee

Attachment

# California Energy Commission's Quarterly Report Regarding the Renewables Funding Program

(July 1 - September 30, 1998)

The California Energy Commission is pleased to submit its Quarterly Report on the Renewables Funding Program covering the period July 1 through September 30, 1998<sup>1</sup>. The report describes the Commission's implementation activities, including information regarding awards submitted to the State Controller<sup>2</sup> for payment, the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and related matters.

## Background

Assembly Bill 1890 ([AB 1890] Chapter 854, Statutes 1996) required California's three major investor-owned utilities to collect **\$540 million** from their ratepayers over a four-year period to help support renewable electricity-generation technologies and the development of a renewable market. As AB 1890 required, the Commission submitted its ***Policy Report on AB 1890 Renewables Funding (Policy Report)*** to the Legislature in March 1997, with recommendations for allocating and distributing these funds. Senate Bill 90 ([SB 90] Chapter 905, Statutes 1997) subsequently established a Renewable Resource Trust Fund, placed the \$540 million into the fund, and directed the Commission on how to distribute the fund through four distinct accounts consistent with the ***Policy Report***. These accounts and the total funds allocated to each are:

- Existing Renewable Resources Account (**\$243 million**)
- New Renewable Resources Account (**\$162 million**)
- Emerging Renewables Resources Account (**\$54 million**), and
- Customer-Side Renewables Resources Purchases Account:
  - Customer Credit Subaccount (**\$75.6 million**)
  - Consumer Education Subaccount (**\$5.4 million**)

In January 1998 consistent with SB 90, the Commission adopted overall funding guidelines, eligibility requirements, yearly allocations, and account-specific guidelines to assist participants in applying for funding from the various accounts within the Renewables Funding Program.

## Renewables Funding Program Implementation

The mechanism for distributing funds varies by account, as do the implementation activities for each account. Table I highlights the Commission's implementation activities for the third quarter of 1998 and describes the expected funding and implementation activities for the fourth quarter of 1998.

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<sup>1</sup> Public Utilities Code (PUC), Article 5, Section 445(g) requires the Commission to report to the Legislature quarterly on fiscal and programmatic aspects of the program.

<sup>2</sup> As a procedural matter, the Commission submits awards directly to the State Controller for payment, rather than through the Treasurer. This procedure significantly streamlines the award-payment process for all participants.

**Table I**  
**Renewables Funding Program:**  
**Third Quarter 1998 Program Implementation**

Account, Program-Implementation and Funding Activities: July - September 1998	Expected Funding and Implementation Activities: October - December 1998
<b>Existing Resources Account</b>	
<ul style="list-style-type: none"> <li>• 290 facilities registered as renewable suppliers and 192 facilities are eligible for funding as of September 30.</li> <li>• Tier 1 (biomass and solar/thermal) paid 1.5 cents/kWh, for 674 million kWh during May, June, and July.</li> <li>• Tier 2 (wind) paid from 0.42 - 1.0 cents/kWh, for 760 million kWh, during May, June, and July.</li> <li>• Tier 3 (geothermal, digester and landfill gas, small hydro and municipal solid waste) paid from 0.0 - 0.78 cents/kWh, for 1,006 million kWh during May, June, and July.</li> <li>• Rollover of about \$18.6 million as of September 30.</li> </ul>	<ul style="list-style-type: none"> <li>• Payments for August, September, and October generation are scheduled for October 30, November 30, and December 31, 1998, respectively.</li> <li>• Estimated fourth quarter payments (August, September, and October): \$19 million.</li> </ul>
<b>New Resources Account</b>	
<ul style="list-style-type: none"> <li>• Commission's Renewables Committee denied Petition for Reconsideration from bidder whose project was deemed ineligible for the June auction. Petitioner declined to appeal.</li> <li>• Winning bidders submitted 9 Project Award Packages for Commission approval.</li> <li>• Payments begin only after approval of Project Award Packages, completion of project construction, and production of electricity.</li> <li>• No payments made during third quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• Commission's Renewables Committee approved first two Project Award Packages on October 2 and Commission approved the two packages on October 14.</li> <li>• Approval of most Project Award Packages expected during fourth quarter of 1998 and first quarter of 1999.</li> <li>• Some projects are already under construction.</li> <li>• Payments for these projects could begin during fourth quarter.</li> </ul>
<b>Emerging Resources Account</b>	
<ul style="list-style-type: none"> <li>• Have received buydown-reservation requests totaling \$7.0 million since program began March 20, with about \$500,000 reserved this quarter.</li> <li>• Payments for installed systems totaling about \$413,000 as of September 30.</li> <li>• Received 14 new reservation requests this quarter, including the first requests (3) for wind systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Expect payments for installed systems (small PV) to increase appreciably.</li> <li>• Expect reservations for smaller systems (less than 10 kW) to increase.</li> <li>• Significant change in reservations for medium (10.1-100 kW) and large (&gt;100 kW) systems unlikely.</li> </ul>
<b>Customer-Side Account</b>	
<b>Customer Credit Subaccount</b>	
<ul style="list-style-type: none"> <li>• Nine marketers are registered as renewable providers, offering 22 products containing renewable energy.</li> <li>• No additional providers registered this quarter.</li> <li>• SB 977 passed, expanding the eligibility of energy that qualifies for customer credits.</li> </ul>	<ul style="list-style-type: none"> <li>• Providers are expected to begin serving and billing in the fourth quarter.</li> </ul>
<b>Consumer Education Subaccount</b>	
<ul style="list-style-type: none"> <li>• Marketing consultant developed preliminary recommendations for a consumer-education marketing plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Public comments on proposed marketing plan leading to final development of consumer-education campaign.</li> </ul>

## Renewable Resources Trust Fund s

Total funds *received* through September 30, 1998, amount to \$87.6 million for all four accounts. Total funds *awarded* or *reserved* as of the third quarter of 1998 amount to \$38.4 million, reflecting payments (disbursements) from the Existing Resources Account, and fund reservations (encumbrances) and payments from the Emerging Resources Account. Table II shows a financial summary of the Renewables Resources Trust Fund, by account, as of the third quarter 1998.

**Table II**  
**Renewable Resources Trust Fund**  
**Current Funding and Expenditures for the Quarter Ending September 30, 1998**  
**(\$ millions)**

	<b>Existing Resources Account</b>	<b>New Resources Account<sup>3</sup></b>	<b>Emerging Resources Account</b>	<b>Customer Resources Account</b>	<b>Program Total<sup>4</sup></b>
<b>Available Funds</b>	49.932	21.024	8.760	7.884	
<b>Disbursements</b>	(31.320)	0.000	(0.413)	0.000	)
<b>Current Balance</b>	18.612	21.024	8.347	7.884	
<b>Encumbrances</b>	0.000	0.000	(6.620) <sup>5</sup>	0.000	)
<b>Unexpended Funds</b>	18.612				

The \$49.3 million in unexpended funds reflects the lag between start-up and full operation of the market. The three investor-owned utilities continue deposits into the Fund with payments current to September 30, 1998. The program design has a built-in, two-month processing period for payments to eligible energy in several accounts. This Report reflects payments out of the Existing Resources Account for electricity produced through July 1998, and reservations (encumbrances) requested by, and claims paid to, systems through the Buy-Down Program in the Emerging Resources Account. The Buy-Down Program has accepted 95 reservations since it began on March 20, 1998, including 14 new reservations requests in the third quarter. These encumbrances and \$413,000 in payments to eligible facilities represent cumulative program operations through September 1998. Reservations are made up to 12 months in advance, so disbursements are expected to increase in the fourth quarter and in early 1999.

Winners in the June auction for conditional funding awards from the New Resources Account have begun to send in their Project Award Packages for the Commission's approval; as of September 30, the Commission had received nine. The Commission's Renewables Committee approved the first two Project Award Packages at a public hearing on October 2, and the full Commission then approved them at its October 14 Business Meeting. After the Commission approves their Project Award Packages,

<sup>3</sup> Following its June 5, 1998, auction, the Commission conditionally allocated \$162 million for future incentive payments.

<sup>4</sup> Program Totals include \$3,072 in voluntary contributions.

<sup>5</sup> Reservation requests granted (but not yet paid) since the March 20 start-up of the Buydown Program.

winning bidders must complete project construction and begin producing electricity in order to receive their awards. No payments from the New Resources Account occurred in the third quarter, since none of the projects are yet producing electricity. However, developers have already initiated construction on some projects, and it is possible that payments will begin during the fourth quarter.

At this time, there have been no disbursements from the Customer-Side Account, primarily due to the slow start of the direct-access market. Nine marketers are registered as renewable providers under Customer Credit Subaccount. They are expected to begin submitting payable invoices to the Commission in the fourth quarter. A notable legislative change affecting the Customer Credit Subaccount occurred at the close of the quarter. On September 30, Governor Wilson signed Senate Bill 977 (Chapter 1042, Statutes of 1998), which broadens eligibility requirements for customer credits over the period from April 1, 1998, to September 30, 1998. The expanded eligibility includes renewable generation facilities owned by in-state, investor-owned utilities not required to sell their energy to the Power Exchange (PX) and those owned by in-state municipal utilities.

In summary, the Commission continues to make excellent progress in implementing the Renewables Funding Program. We expect program disbursements of the Renewable Resource Trust Fund to increase in the next quarter.

Respectfully submitted,

\_\_\_\_//SIGNED\_\_\_\_\_  
MICHAL C. MOORE  
Commissioner and Presiding Member  
Renewables Program Committee

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JANANNE SHARPLESS  
Commissioner and Associate Member  
Renewables Program Committee